



Consumer Federation of America

**Consumers  
Union**  
Nonprofit Publisher  
of Consumer Reports

**freepress**

November 16, 2007

Chairman Kevin J. Martin  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**RE: Cable 70/70 test – Docket 06-198; Docket 05-255**

Consumer Federation of America (CFA), Consumers Union (CU), and Free Press (FP) wish to respond to a number of questions regarding data relevant to the upcoming video competition report. We concur the overall conclusions presented by Media Access Project in their November 16 letter to Commissioners McDowell and Tate, and we offer the following separate analysis of cable penetration to inform your judgment in evaluating the conclusions in the video competition report.

The analysis by Greg Rose submitted by the Media Access Project, *et al.*, brings a new set of data to bear on the question of whether the cable industry has passed the 70 percent mark in terms the percentage of homes that take service in areas where they offer such service with more than 36 channels. The analysis confirms the earlier finding by the Warren data that the penetration exceeds 70 percent. It suggests an undercount of cable subscribers compared to the cable industry's current claim of subscribership of 66 million. Using a different database, CFA (joined here by Consumers Union and Free Press) reach a similar conclusion.

If the cable industry has undercounted its subscribers by only 4 million, then based on the available data, cable penetration exceeds the 70 percent mark (as the following Exhibit shows).

	Cable	<u>Subscribers (in Millions)</u>			TV Households
	Homes Passed	Cable	Satellite		Over-the-air
<b>Reported</b>	<b>109</b>	<b>66</b>	<b>29</b>	<b>17</b>	<b>112</b>
<b>Actual</b>	<b>109</b>	<b>70</b>	<b>29</b>	<b>13</b>	<b>112</b>
<b>Less than 36 Channels</b>	<b>21</b>	<b>7</b>			
<b>More than</b>	<b>88</b>	<b>63</b>			

## 36 Channels

**Penetration 71.6%**

Cable reports 66 million subscribers<sup>1</sup> and satellite claims 29 million.<sup>2</sup> That leaves approximately 17 million over the air households, which is clearly an overstatement of non-MVPD households. Nielsen estimates suggest that the number is closer to 13 million.<sup>3</sup> Combining the satellite numbers with the Nielsen over-the-air number (and they have little reason to underreport), we arrive a figure of 70 million.<sup>4</sup>

Two years ago, FCC data concluded that 23 million of cables homes passed and 8 million of its subscribers were served by systems with fewer than 36 channels, which do not count in the 70/70 calculation<sup>5</sup>. Assuming that upgrades to those systems have reduced those figures by 2 million homes passes and one million subscribers, we estimate 63 million cable subscribers in systems that pass 88 million homes. This gives us a penetration rate of 71.6%, almost identical to the 71.4% that Warrens found.

One would have to assume that over a quarter of those systems were upgraded to conclude that the 70 percent threshold has not been met. That would require an assumption of over 6 million households upgraded in the past two years. Cable's growth of broadband availability, which would include both new builds and upgrades, shows an increase of only 2 million homes between 2005 and 2007.<sup>6</sup>

Based on these publicly available data from sources with little incentive to misreport, we conclude that cable penetration among systems with more than 36 channels is above 70 percent.

Respectfully submitted,



Mark Cooper  
Research Director  
Consumer Federation of America



Gene Kimmelman  
Vice President, Federal and International Policy  
Consumers Union

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<sup>1</sup> NCTA web site.

<sup>2</sup> Quarterly reports.

<sup>3</sup> Available at [http://www.nielsenmedia.com/nc/nmr\\_static/docs/Nov2007DMA\\_Media\\_UEs.xls](http://www.nielsenmedia.com/nc/nmr_static/docs/Nov2007DMA_Media_UEs.xls)

<sup>4</sup> These estimates are consistent with Nielsen. Nielsen shows a total for other distribution systems, including satellite, or almost 31 million. However, a small percentage of households have both cable and satellite.

<sup>5</sup> Eleventh Annual Report, pp. 13-14.

<sup>6</sup> National Cable & Telecommunications Association, *Internet, Phone, TV: Competition Works, Consumers Win*, January 2007, p. 11. This is the basis for our assumption that 2 million upgrades have taken place. Some upgrades might have been to over 36 channels, but not a full broadband platform. On the other hand, some of the increase in broadband-capable homes passed was due to new builds, not upgrades.

A handwritten signature in black ink, appearing to be 'B. Scott', with a long horizontal flourish extending to the right.

Ben Scott, Policy Director  
Free Press